



U.S.AGENCY FOR
INTERNATIONAL
DEVELOPMENT

RIG/San Salvador

July 15, 2002

MEMORANDUM

FOR: USAID/Haiti Director, David Adams

FROM: Acting RIG/San Salvador, Steven H. Bernstein “/s/”

SUBJECT: Risk Assessment of Major Functions Within USAID/Haiti
(Report No. 1-521-02-001-S)

This memorandum is our report on the subject risk assessment. This is not an audit report, and there are no recommendations for your action. Your comments were considered in finalizing the report and are included in their entirety as Appendix II.

I appreciate the cooperation and courtesy extended to my staff during the risk assessment.

Background

In fiscal year 2002, USAID/Haiti began the fourth year of its six-year strategic plan. When the plan was implemented, the mission budgeted for a funding level of \$70 million per year to meet its assistance goals. However, the program has not received the expected funding levels. USAID/Haiti’s general goal areas and their planned fiscal year 2002 and 2003 funding levels, in millions, are presented in the following table:

	FY 2002	FY 2003
Sustained Increased Income for the Poor	\$ 7.1	\$ 6.5
Healthier Families of Desired Size	17.9	14.0
Increased Human Capacity	2.5	2.5
Inclusive Democratic Governance Attained	<u>2.5</u>	<u>2.0</u>
	<u>\$30.0</u>	<u>\$25.0</u>

In addition to the program functions detailed above, the mission planned to receive \$20 million in P.L. 480 Title II commodities in fiscal year 2003.

The General Accounting Office (GAO) noted in “Standards for Internal Control in the Federal Government” (November 1999) that internal controls should provide reasonable assurance that agency objectives are being achieved, operations are effective and efficient, and assets are safeguarded against loss. Internal controls consist of the following five interrelated components. These components are the minimum level for internal control and provide the basis against which internal control is to be evaluated.

1. Management and employees should establish and maintain a control environment throughout the agency that sets a positive and supportive attitude toward internal control and conscientious management.
2. Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.
3. Internal control activities should be effective and efficient in accomplishing the agency’s control objectives and help ensure that management’s directives are carried out.
4. Information should be recorded and communicated to management and others within the agency who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.
5. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

This review focused on the second component—risk assessment. The GAO Standards note that the specific risk analysis methodology used can vary because of differences in agencies’ missions and the difficulty in qualitatively and quantitatively assigning risk levels.

Discussion

USAID/Haiti manages activities in the following major areas. Our assessments of the risk exposure for each of these functions are described below.

Function Description	Risk Exposure
Population, Health, and Nutrition – focus on population, child health/child survival, and infectious diseases	Moderate
Risk Assessment Factors	
<ul style="list-style-type: none">• Team leader has been with USAID for nearly 30 years.• Team leader is requesting a second tour.• Staff includes three doctors with several years of USAID experience.• Management has third party technical assistance available, if desired.• Implementers are audited periodically.• USAID/Haiti Controller's Office conducts payment verification reviews on implementers periodically.• Mission's Federal Managers' Financial Integrity Act (FMFIA) review identified no material issues with this function.• This is a large program for the mission with an expected fiscal year 2002 budget of \$17.9 million.• HIV/AIDS activities are high profile.• Financial, performance, and compliance monitoring activities have been established.• We judged the function to have a high level of inherent risk due to the high dollar value of its program in comparison to overall mission funding levels.	

Function Description	Risk Exposure
Food for Peace – includes school feeding, food for work, and food for education	Moderate
Risk Assessment Factors	
<ul style="list-style-type: none"> • Food for Peace officer has over five years experience. • Program has straightforward objectives and measurement criteria. • The program employs three full time monitors. • Management has third party technical assistance available. • Implementers are audited periodically. • USAID/Haiti Controller’s Office conducts payment verification reviews on implementers periodically. • Mission’s FMFIA review identified no material issues with this function. • The program is significant to the mission with a \$20 million annual funding level. • The program was audited recently by USAID/Regional Inspector General. The one recommendation from the audit was accepted by the mission. • We judged the function to have a high level of inherent risk due to the high dollar value of its program in comparison to overall mission funding levels. 	

Function Description	Risk Exposure
Education – provides for teacher education, school supplies, and courses delivered by radio	Moderate
Risk Assessment Factors	
<ul style="list-style-type: none"> • New Education Officer identified and expected at post early next year. • Program activities under development. • The level of support with the government of Haiti for the planned program activities is unclear. • Planned program activity to create a radio network and provide educational content could become sensitive if others view it as a propaganda vehicle. • Implementers are audited periodically. • USAID/Haiti Controller's Office conducts payment verification reviews on implementers periodically. • Mission's FMFIA review identified no material issues with this function. • Program is relatively small with \$2.5 million in funding expected in fiscal year 2002. • Implementer has staff to monitor the program activities. • See Appendix II, pages 20 to 21, Specific Comment VII, for detailed mission comments regarding this function. 	

Function Description	Risk Exposure
Justice, Democracy, & Governance – focus on assistance to political parties, civic education, and coalition building	High
Risk Assessment Factors	
<ul style="list-style-type: none"> • Continuity of team leadership is uncertain. • The impact of program activities is uncertain due to the difficult political environment in Haiti. • USAID does not have a direct working relationship with the government of Haiti. • Financial structure of some grants under the program leaves USAID without significant input on activities. • Implementers are audited periodically. • USAID/Haiti Controller's Office conducts payment verification reviews on implementers periodically. • Mission's FMFIA review identified no material issues with this function. • Program is relatively small with \$2.5 million in funding expected in fiscal year 2002. • See Appendix II, pages 19 to 20, Specific Comment V, for detailed mission comments regarding this function. 	

Function Description	Risk Exposure
Economic Growth – covers micro-finance, agriculture, investment climate, and environmental activities	High
Risk Assessment Factors	
<ul style="list-style-type: none">• New Economic Growth Office Chief identified and expected at post this year.• Implementers are audited periodically.• USAID/Haiti Controller’s Office conducts payment verification reviews on implementers periodically.• Mission’s FMFIA review identified one material issue with this function, which is being resolved.• The economic climate in Haiti is difficult. USAID/Haiti’s moderately sized program, \$7.1 million budget in fiscal year 2002, will be pressed to make a significant impact on Haiti’s overall economic condition.• See Appendix II, pages 21 to 22, Specific Comment VIII, for detailed mission comments regarding this function.	

Function Description	Risk Exposure
Controller's Office – responsible for accounting, voucher payment, and financial analysis	Moderate
Risk Assessment Factors	
<ul style="list-style-type: none">• The Controller is new to USAID.• Operations follow specific, well-defined procedures.• Duties are segregated.• The Mission Accounting and Control System (MACS) has inherent security limitations.• We judged the function to have a high level of inherent risk due to the high number of regulations that control operations, the high volume and high value of payments disbursed, and the difficult country environment.• See Appendix II, pages 17 to 18, Specific Comment III, for detailed mission comments regarding this function.	

Function Description	Risk Exposure
Contracting Office – provides contract negotiation, change order management, contract drafting, and contract management services	Moderate
Risk Assessment Factors	
<ul style="list-style-type: none"> • Regional Contracting Officer has over 15 years of experience with USAID. • Contracting staff in Haiti has between 5 and 10 years experience. • Contracting procedures regulated and defined. • The automated contract preparation and management system, as mandated by USAID and utilized by the mission, is reported to be inefficient and inaccurate.¹ • Contracting staff members participate on strategic objective teams. • Mission’s FMFIA review identified no material issues with this function. 	

¹ In its comments to the draft report (see Appendix II, Specific Comment II, page 17), USAID/Haiti stated that updates and corrections are made to the system to resolve issues as reported by users, and, in June 2002, USAID launched a solutions center to help with this process.

Function Description	Risk Exposure
Executive Office – provides general services to the mission including information systems, personnel, procurement, maintenance, motor pool, and property management	High
Risk Assessment Factors	
<ul style="list-style-type: none"> • Continuity of office leadership is uncertain. • Operations follow specific, well-defined procedures. • Executive Officer reported that the warehouse facilities were inadequate for a period of time and contributed to an under-controlled inventory environment of warehoused goods. • We judged the function to have a high level of inherent risk due to the high number of regulations that control operations, the high volume of low dollar value purchases requested, and the difficult country environment. • The Information Systems Security Officer is a U.S. direct hire but does not have extensive information systems security experience. • See Appendix II, pages 18 to 19, Specific Comment IV, for detailed mission comments regarding this function. 	

Function Description	Risk Exposure
Program Office – coordinates budget and annual reporting, and prepares and implements the monitoring of overall mission planning and programmatic documents	Moderate
Risk Assessment Factors	
<ul style="list-style-type: none"> • Current Program Officer duties are being performed by a strategic objective team leader in addition to that leader's strategic objective responsibilities. • New Program Officer identified and expected at post this year. • Program Office duties highly decentralized with responsibility placed with strategic objective teams. However, according to mission management, Program Office functions will be re-examined upon the arrival of the new Program Officer. • Mission's FMFIA review identified no material issues with this function. 	

Conclusion

This review assigned a risk exposure judgement of high, moderate, or low for each major function. A higher risk exposure judgement implies that the program objectives for a particular function are more vulnerable to not being achieved or to experiencing irregularities. Appendix I describes in detail our risk assessment's scope and methodology.

In judging the risk exposure for the administrative and program functions in USAID/Haiti, we considered:

- the amount of funding the individual programs received relative to the overall mission budget (see Background section for details of the mission's \$30 million fiscal year 2002 program budget),
- the level of U.S. political interest in the program activities,
- the level of involvement and/or support provided by the Government of Haiti,
- the experience of key staff members in their area of expertise as well as in Haiti,
- recruiting and staffing challenges faced by the mission,
- incidences of improper administration or material weaknesses (if any) noted in prior reviews and/or as reported by mission officials,
- management support for internal controls, and
- the level of risk inherently present in an activity that program or administrative objectives will not be met.

Our risk assessment of USAID/Haiti covered nine functions. We judged three functions to have a "high" risk exposure and six to have a "moderate" risk exposure as illustrated in the following table.

Function Description	Risk Exposure		
	High	Moderate	Low
Population, Health, and Nutrition – focus on population, child health/child survival, and infectious diseases		✓	
Food for Peace – includes school feeding, food for work, and food for education		✓	
Education – provides for teacher education, school supplies, and courses delivered by radio		✓	
Justice, Democracy, & Governance – focus on assistance to political parties, civic education, and coalition building	✓		
Program Office – coordinates budget and annual reporting, and prepares and implements the monitoring of overall mission planning and programmatic documents		✓	
Economic Growth – covers micro-finance, agriculture, investment climate, and environmental activities	✓		
Controller's Office – responsible for accounting, voucher payment, and financial analysis		✓	
Contracting Office – provides contract negotiation, change order management, contract drafting, and contract management services		✓	
Executive Office – provides general services to the mission including information systems, personnel, procurement, maintenance, motor pool, and property management	✓		

**Scope and
Methodology****Scope**

The Regional Inspector General/San Salvador conducted a risk assessment of major functions within USAID/Haiti. The risk assessment considered operations principally for fiscal year 2002. The risk assessment was conducted at USAID/Haiti from April 15, 2002 to April 19, 2002.

Methodology

We interviewed officials as well as reviewed related documentation of major functions performed by USAID/Haiti. These documents covered background, organization, management, budget, staffing responsibilities, and prior reviews. Our review of USAID/Haiti documentation was isolated and judgmental in nature and was conducted principally to confirm oral attestations of management.

We identified USAID/Haiti's major functions based on input from the Mission Director, discussions with mission staff, and review of mission reports. We judged risk exposure (e.g., the likelihood of significant abuse, illegal acts, and/or misuse of resources, failure to achieve program objectives, and noncompliance with laws, regulations and management policies) for those major functions. We assessed overall risk exposure as high, moderate, or low. A higher risk exposure simply indicates that the particular function is more vulnerable to not achieving its program objectives or to experiencing irregularities. We considered the following key steps in assessing risk exposure:

1. determined significance and sensitivity;
2. evaluated susceptibility (inherent risk) of failure to attain program goals, noncompliance with laws and regulations, inaccurate reporting, or illegal or inappropriate use of assets or resources;
3. were alert to "red flags" such as a history of improper administration or material weaknesses identified in prior audits/internal control assessments, poorly defined and documented internal control procedures, or high rate of personnel turnover;
4. considered management support and the control environment;
5. considered competence and adequacy of number of personnel;
6. identified and understood relevant internal controls, and
7. determined what was already known about internal control effectiveness.

These risk exposure assessments were not sufficient to make definitive determinations of the effectiveness of internal controls for major functions. As part of the scope of our review, we (a) identified, understood, and documented (only as necessary) relevant internal controls and (b) determined what was already known about the effectiveness of internal controls. However, we did not (a) assess the adequacy of internal control design, (b) determine if controls were properly implemented, nor (c) determine if transactions were properly documented.

Our risk assessment of USAID/Haiti's major functions has the following limitations in their application.

- First, we assessed risk exposure at the major function level only.
- Second, we only assessed risk exposure. Our assessments were not sufficient to make definitive determinations of the effectiveness of internal controls for major functions. Consequently, we did not (a) assess the adequacy of internal control design, (b) determine if controls were properly implemented, nor (c) determine if transactions were properly documented.
- Third, higher risk exposure assessments are not definitive indicators that program objectives were not being achieved or that irregularities were occurring. A higher risk exposure simply implies that the particular function is more vulnerable to such events.
- Fourth, risk exposure assessments, in isolation, are not an indicator of management capability due to the fact that the assessments consider both internal and external factors, some being outside the span of control of management.
- Fifth, comparison of risk exposure assessments between organizational units is of limited usefulness due to the fact that the assessments consider both internal and external factors, some being outside the span of control of management.

**Management
Comments**

June 24, 2002

David R. Adams, USAID/Haiti Mission Director

Comments on the RIG Risk Assessment of Major Functions within USAID/Haiti
Draft Report No. 1-521-02-XXX-S.

Timothy E. Cox

RIG/A/San-Salvador

This memorandum constitutes USAID/Haiti response to the RIG Risk Assessment of Major Functions within USAID/Haiti Draft Report No. 1-521-02-XXX-S dated May 21, 2002 and contains our written comments on action planned or already taken to address and close the findings described in the Draft Report.

General Comment:

USAID/Haiti appreciates the time and effort that your staff, Christine Byrne and John Vernon, and you took to perform the assessment review, judging the risk exposure for the administrative and program functions of the USAID/Haiti operations. After completing its review of the Draft Report, the Mission has the following comments to make with regard to the substance contained therein. In general, we found the findings noted in the Draft Report to be both appropriate and actionable.

Our response below should clarify that we are taking appropriate actions to resolve and close the findings that were uncovered during the review.

Specific Comment I:

- Population, Health, and Nutrition- focus on population, child health/child survival, and infectious diseases.
- Food for Peace- includes school feeding, food for work and food for education
- Even though assessed as “ Moderate “ Risk Exposure, RIG review did not identify any internal control structure weaknesses related to these two functional activities areas. These two technical offices will continue implementing internal controls which should provide reasonable assurance that objectives are being achieved, operations are effective and efficient, and assets are safeguarded against loss.

Specific Comment II:

- Contracting Office- provides contract negotiation, change order management, contract drafting, and contract management services.
- The Procurement Document System (ProDoc) is the contract preparation and management software mandated by the Agency for all contracting actions. While this system has some limitations and problems, updates and corrections are made to the system to resolve some of them as they are being reported by the users. In order to help the process, an Office of Procurement (M/OP) Solutions Center has been set up for better use of the system. USAID/General Notice 0601 dated June 3, 2002 launched this solutions center to address some of the issues for all of the automated procurement systems used by the agency.

Specific Comment III:

- Controller's Office- responsible for accounting, voucher payment, and financial analysis.
- The current Deputy Controller has been promoted to Controller and her tour of duty has been extended to one (1) more year to August 2003.
- Due to the inherent limitations, including security, of USAID Accounting and Control system used in the field (MACS), the Agency has established an Integrated Financial Management System called Phoenix that is supposed to be fully compliant with the Federal Financial Managers Improvement Act. Phoenix, which is supposed to be a revised version of Momentum, will be the Core Financial Management System of USAID. Phoenix will have the capability to interface with MACS, Payroll Processing, Procurement Management System, Goals and Loans. Phoenix is currently implemented in USAID/Washington and is supposed to be rolled out to the field in Fiscal year 2004.
- Regulations that control financial operations are strictly adhered to by the Financial Management Office (FM). FM voucher examiners are fully trained with an excellent understanding of USAID's assistance instruments, the rules and regulations surrounding each mode of assistance, and the basics for determining allowability of cost taking into consideration the difficult country environment. A procedural checklist and FM directives have been implemented for review and processing of vouchers.
- LAC/W is proposing a Regionalization plan to centralize USAID accounting stations in the Caribbean and other parts of the LAC Region. USAID/Haiti has expressed concern about the potential for Regionalization to increase vulnerabilities in Haiti, if the Regionalization plan is adopted in the

absence of a full and appropriate analysis of potential effects. LAC/W has pledged to work closely with the Mission to do an assessment before implementing the Regionalization plan for the Caribbean.

Specific Comment IV:

- Executive Office- provides general services to the Mission including information systems, personnel, procurement, maintenance, motor pool, and property management.

- The Mission has advertised and conducted telephone interviews for the EXO position that will be vacated in September 2002. The position was reclassified as a USPSC position and the Mission is actively pursuing the recruitment process.

- Due to the periodical and sometimes extended absences of the Property Supervisor and the need to replace both the EXP and NXP Clerks, the USAID warehouse inventory has not always been well managed. Also, at the time of this assessment, the mission was in the midst of relocating from one warehouse to another. Therefore, things were not in order. The warehouse move has been completed and we are now organizing an auction of excess material which was held on June 15, 2002. No later than June 28, 2002, a complete inventory of the warehouse will be conducted. O.E. funded items are stocked together. Project items are/will be stocked per project. EXP, small items, is stored in a locked room with key control, as are hospitality kit items and IMO property. The warehouse entrance key is controlled for restricted entrance and the compound has 24-hour Embassy Guard protection.

- High level risk is inherent in any EXO/GSO operation. The high number of regulations and good management/supervision keeps the operation in check with a minimal of disruptions and losses. USAID has not had any serious loss issues in the past.

GSO Petty Cash fund/procedure: One employee is designated to disburse the funds for GSO needs. A limited amount is set up before replenishing the funds through the FM office. Actual/original quotes are presented to the GSS and/or the Maintenance Supervisor to attach a Purchase Request. It is then sent to the Executive Office to be approved by the A/EXO or the EXO. Once approved, the Petty Cash Officer is permitted to disburse the funds to the authorized receiver. The receiver must return with the original/actual purchase/delivered receipt for the merchandise and present it to the petty cash officer. The signed/authorized purchase requests and receipts are used in justifying the replenishing of the funds back to the GSO petty cash. The EXO or A/EXO must approve the request for replenishment before it goes to the FM office.

Local Purchases: Requests for purchasing are submitted by the office in need. The Procurement Office then gets the number of quotes for the item to ensure purchasing of best price and quality and presents this to the Executive Office for approval/signature. The procurement office follows the same guidelines as the petty cash officer in redeeming the purchase with proof of purchase by an original receipt, using the Mission cashier. Local purchases are used for urgent/emergency purchases. As often as possible, we purchase in bulk from offshore sources.

- The Information Systems Security Officer position is held by the Executive Officer at Post. He has worked with AID/SEC on several occasions pertaining to information systems security. When trouble was detected, quick action on the part of the current EXO and working closely with SEC and IRM in AID/W prevented any serious problems. Before any new user is allowed access to the system, the “USAID Computer System Access & Termination Request” form is first completed and signed. The Mission could seek the appropriate training for the new EXO, should he or she not have extensive information systems security experience.

Specific Comment V:

- Justice, Democracy, and Governance- focus on assistance to political parties, civic education, and coalition building.

- The continuity of team leadership is an issue as is the shortage of experienced staff in the Office, which could leave us vulnerable. JDG consults frequently with both the Contracting Office and FM to get their guidance on contracts and grants management issues to mitigate the risk.
- The prior strategy and program description are no longer relevant for making judgements about the current program in place. After the May 2000 elections, the Mission adjusted the program substantially. We moved from an institutional strengthening program with the Government of Haiti (GOH), aimed at strengthening key democratic institutions, to one where we work exclusively with civil society. Indicators and targets now reflect the new political environment. Since then, we have met our objectives.
- We stopped working with the GOH when assumptions about the political will for political system reform proved false. Still, we strongly encourage civil society direct engagement with the GOH. Current policy restricts our direct engagement with or support to the GOH, however.
- In this dynamic political environment, we need the flexibility that grants instruments offer. Secondly, this assumes that the only way to implement activities is through a formal contractual mechanism. We have requested

significant changes in grant proposals from the implementors prior to awarding funds and they have generally agreed to implement changes. We meet regularly with our implementors and provide direction and advice for specific activities.

Specific Comment VI:

- Program Office- coordinates budget and annual reporting
- With respect to the first risk factor identified in the Draft Report, the description provided for PCPS's function within USAID/HAITI should also have included the preparation as well as implementation monitoring of overall Mission planning and programmatic documents, as well as implementation monitoring, as evidenced by both the record and the Scope of Work established for the Office.
- The statement made in the third risk factor should be restricted only to the monitoring and evaluation functions for which PCPS used to be responsible until the major downsizing the office experienced in FY 2000. PCPS's Monitoring & Evaluation Unit was then entirely demobilized and Mission Management decided that S.O. Teams should coordinate these functions within the activities funded under their respective portfolios. With the arrival later this summer of a new Program Officer, the evaluation function will be re-examined. The risk, if any, is therefore not inherent to either the structure or the performance capability of the Office.

It also appears that assessment factors # 1 and 2 nullify each other.

Specific Comment VII:

- Education- provides for teacher education, school supplies, and courses delivered by radio.
- In late May 2002, a direct hire education officer visited Haiti on TDY to acquaint herself with the USAID education program. She met with our partners and visited field activities. It is now projected that she will be assigned to USAID/Haiti in January 2003, to become the team leader for SO 4: Increased Human Capacity.
- In June 2002, the mission received approval to begin obligating the \$2.5 million FY 2002 funds allotted to SO 4. Procedures for obligating the funds have either been fully completed, or are in process. Program activities will be implemented under 3 cooperative agreements, one with Education Development Center (EDC), one with FONHEP (a Haitian NGO), and one with Save the Children. Under their respective cooperative agreements, EDC and FONHEP will be together responsible for achieving the following objectives:

- 1) A functioning structure for utilizing a combination of satellite transmission, commercial radio, community radio, and/or cassettes and CDs, to transmit educational messages to in-school and out-of-school audiences;
- 2) Instructional radio in math and Creole, for 2nd, 3rd, and 4th graders, with the possibility of extending beyond these subjects and these audiences, to include other messages and out-of-school youth or adults;
- 3) An automated monitoring and evaluation system for collecting, collating, manipulating, and analyzing, data on progress indicators; and
- 4) A fully developed SO4 framework, including intermediate results, indicators of progress, and measurement tools to be used.

Save the Children will continue to implement their community school project in two regions of Haiti, while expanding their radio education and community mobilization activities.

- US Government (USG) policies regarding relations with the GOH, and the frequent change of key GOH personnel, has so far prevented USAID education staff from fully engaging in regular, ongoing discussions with the Ministry of National Education. A new Minister was installed in March 2002. Over the next fiscal year, we will engage in regular discussions with Ministry staff with respect to the USAID education program, provided USG policies permit us to do so.
- To allay any potential GOH concerns that the radio network could be a propaganda vehicle, we have included in the FONHEP scope of work the requirement that FONHEP perform a liaison function with the relevant GOH agencies responsible for telecommunications. The purpose of this function will be to seek GOH approval for the radio network, and for the specific educational programming which USAID will be designing with EDC and FONHEP. As part of this approval process, USAID will have to make explicit the types of broadcasting that will qualify for education program funds. A Steering Committee headed by USAID will be responsible for setting limits on what is (and is not) acceptable for broadcasting.

Specific Comment VIII:

- Economic Growth- covers micro-finance, agriculture, investment climate, and environmental activities.
- While true that the Office of Economic Growth has been without a permanent Team Leader since the premature re-assignment in March 2002 of its USDH Chief, the office's programs and activities have proceeded well under the leadership of an experienced USPSC economist who is one of the most senior

staff of the Mission. The expected summer arrival of the new EG office chief, with long USAID field experience in private sector development, will further reinforce the strong team already in place. Further, the Mission expects to recruit an experienced US Department of Commerce Officer to serve as senior Trade and investment Advisor.

- USAID's economic growth portfolio will not solve "Haiti's difficult economic climate," nor does it have pretensions to do so. What it does aim to do is to:

- (i) directly address the problems of hillside poverty in a defined area by the implantation of improved agriculture techniques, the development of promising export (and local) markets for selected products, and through the generation of sustained income for hillside farmers, to stem the degradation of the environment;

- (ii) further strengthen the thriving network of institutions providing credit to the small and especially the micro-entrepreneurs who are responsible for some 80% of non-farm employment in Haiti;

- (iii) reinforce the capabilities of Haitian handcrafters to generate export sales and revenues by assisting them in standardization and quality improvements, and openings to new markets; and

- (iv) support civil society/private sector initiatives to define a concerted and coherent agenda of economic and structural reforms needed for investment and economic growth, and to interface with the public authorities around said agenda.

The first three aims are discrete, carrying little likelihood of failure due to the vagaries of the political and economic environment. The fourth, if it is to be successful in its second component (i.e. dialogue and agreement with public authorities), does depend on government willingness to be an actor for change, a factor that is indeed not under the control of USAID.

In closing, USAID/Haiti would like to express its appreciation for the manner in which the review was conducted and the usefulness of the findings contained therein.